

# LYNCHBURG CITY COUNCIL

## Agenda Item Summary

MEETING DATE: **August 9, 2005, Work Session**

AGENDA ITEM NO.: 3

CONSENT:

REGULAR: **X**

CLOSED SESSION:  
(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Bluffwalk Center; Subordination of HUD 108 Loan**

RECOMMENDATION: Adopt the attached resolution authorizing the City Manager and the City Attorney to take whatever steps are necessary to provide for the subordination of the HUD 108 loan as part of the financing package for the Bluffwalk Center.

SUMMARY: The financial package for the Bluffwalk Center is finally in place. The project will consist of The Craddock Terry Hotel and Conference Center, Shoemakers Restaurant, The Jefferson Street Microbrewery, and Packets Restaurant and Brewpub and will represent an investment of approximately \$17 million in downtown Lynchburg. Closing on the financing is scheduled for September 15 with upfit construction to start in October for an opening date in the Fall of 2006.

Wachovia will be providing conventional financing for the project, will purchase both state and federal tax credits, and will enhance the tax credit sales proceeds as loans with New Market Tax Credits. Part of the financing package includes \$3.2 million from a Section 108 HUD loan. Presently the developer of Bluffwalk is paying the interest on that loan with principal payments to start soon. The loan is secured both by the property and a pledge of the City's CDBG funds. The proceeds have been used to finance the first phase of the project construction, stabilization and restoration of the buildings.

One of the conditions of the financing from Wachovia is that the HUD 108 loan be subordinate to Wachovia's financing. HUD has verbally agreed to this subordination and the terms need to be finalized prior to the September 15 closing. Presently the buildings are being reappraised and we are confident that their value will provide adequate collateral for both the Wachovia financing and the HUD loan.

Although, we believe that past actions by Council in approving and appropriating the HUD loan have given the City Manager the authority to sign any necessary documents to subordinate the HUD loan, it is anticipated that HUD may want some formal acknowledgement by City Council that its loan will be subordinate to the Wachovia financing. Accordingly, the attached resolution has been prepared for Council's adoption.

Hal Craddock, one of the principal partners in the Bluffwalk project will be present at Council's work session to explain further and answer any questions.

PRIOR ACTION(S): Council has expressed its support for this project on numerous occasions including June 16, 1999, May 16, 2000, October 10, 2000, January 29, 2002, and May 13, 2003.

FISCAL IMPACT: If the financing package is not completed in September, it is doubtful that the project will get underway in the foreseeable future. This would raise the risk that the HUD loan would go into default and threaten the City's CDBG funds.

CONTACT(S): Kimball Payne

ATTACHMENT(S): None

REVIEWED BY: lkp

## RESOLUTION

BE IT RESOLVED by the Lynchburg City Council that it agrees to the subordination of the HUD Section 108 loan, provided to help finance the Bluffwalk Center, to additional financing to be provided by Wachovia Bank and does hereby authorize the City Manager, the City Attorney, the Director of Financial Services and any other necessary City employees to take the necessary steps and execute appropriate documents to formalize the subordination.

Adopted:

Certified:

\_\_\_\_\_  
Clerk of Council

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